

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

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CHROMADEX, INC. and TRUSTEES OF))	
DARTMOUTH COLLEGE,))	
))	
	Plaintiffs,)	
))	
v.))	C.A. No.: 18-1434-CFC
))	
ELYSIUM HEALTH, INC.,))	
))	
))	
))	
	Defendant.)	
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**REPLY BRIEF IN SUPPORT OF
DEFENDANT ELYSIUM HEALTH, INC.’S MOTION TO STAY**

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Plaintiffs' opposition brief ignores the governing legal standards, mischaracterizes the parallel IPR and patent misuse proceedings, relies on cases with facts that bear no resemblance to this case, and claims prejudice without any evidentiary support and without regard to ChromaDex's calculated delay in asserting its patent infringement claims for more than a year. It makes no sense to begin a third proceeding regarding the asserted patents before the first two have concluded.

I. Plaintiffs incorrectly argue that a stay must be denied unless the pending parallel proceedings will resolve *all* of the issues in this case.

The multifactor analysis that governs stays in this District focuses on whether resolution of the parallel proceedings will *simplify* the issues in this case. Plaintiffs do not seriously deny that resolution of the IPR and patent misuse counterclaim will simplify the issues in this case. Instead, they focus on the argument that the parallel proceedings will not necessarily *end* the case. Under the case law in this District, that is not the relevant inquiry. Indeed, as Elysium explained in its opening brief, courts in this District frequently grant stays where the parallel proceedings will not resolve all of the issues in the Delaware litigation, such as when some but not all of the asserted claims are the subject of an IPR. *See* Opening Brief at 12 n.5 (citing cases).¹ Plaintiffs do not attempt to distinguish these cases and, instead, ignore them altogether.

None of the cases cited by Plaintiffs supports their erroneous suggestion that stays should be denied unless all asserted patents are subject to an IPR proceeding. In fact, in each of the cases, the court denied a stay after analyzing the three factors of the stay inquiry. What is more, the facts of those cases are very different from the facts present here. In *President & Fellows of*

¹ *See also, e.g., AIP Acquisition LLC v. Level 3 Communs., LLC*, C.A. No. 12-617-GMS, 2014 U.S. Dist. LEXIS 200247, at *7 (D. Del. Jan. 9, 2014) (simplification factor favored a stay even when PTAB was not reviewing all asserted claims).

Harvard Coll. v. Micron Tech., Inc., C.A. No. 17-1729-LPS-SRF (D. Del. Jan 8, 2018), the litigation had been pending for more than **18 months**, and “much discovery and litigation” had already occurred when the stay was denied. The litigation in *Plastic Omnium Advanced Innovation & Research v. Donghee Am., Inc.*, C.A. No. 16-187-LPS (D. Del. Oct 27, 2017), had been pending for **17 months** when the stay was denied. By that time, claim construction was already underway, and a trial date was set. In contrast, this litigation has been pending only for approximately **two months**, no scheduling conference has been held, no schedule has been set, and no discovery has taken place.

In *Davol* (and in *Plastic Omnium*, discussed above), the defendant sought a stay **before** the PTAB decided whether to institute IPRs. In denying a stay, the court expressed concern that the IPR proceedings would continue for over a year. *See Davol, Inc. v. Atrium Med. Corp.*, C.A. No. 12-958-GMS, 2013 U.S. Dist. LEXIS 84533, at *6-7 (D. Del. June 17, 2013). In contrast, the PTAB will issue its final written decision in the '086 IPR within the next two months.

In *Courtesy Products*, the litigation had been pending for 20 months when the court denied a stay, and the parties had already pursued fact discovery and commenced claim construction. *See Courtesy Prods., L.L.C. v. Hamilton Beach Brands, Inc.*, C.A. No. 13-2012-SLR-SRF, 2015 U.S. Dist. LEXIS 116032, at *2 (D. Del. Sept. 1, 2015). The court also found, “perhaps most significantly,” that the relationship between the parties supported denial of a stay. *Id.* at *4.

In *Toshiba Samsung Storage Tech. Korea Corp. v. LG Elecs., Inc.*, 193 F. Supp. 3d 345 (D. Del. 2016), the pending IPR at most could invalidate only 30% of the claims of an asserted patent. *Id.* at 349. Far from finding that this fact required denial of a stay, Magistrate Judge

Burke concluded that “this Motion could go either way.” *Id.* at 353. Here, the ’086 IPR could invalidate *all* claims of the ’086 patent and have significant implications for the ’807 patent.

II. Plaintiffs mischaracterize the parallel IPR and patent misuse proceedings.

A. Resolution of the ’086 IPR will simplify the issues in this case.

Plaintiffs’ opposition brief does not dispute that the pending IPR could result in the invalidation of all claims of the ’086 patent and require dismissal of the entirety of Count II of Plaintiffs’ two-count complaint. This fact alone establishes that resolution of the pending IPR will simplify this case, and Plaintiffs do not argue otherwise.

Plaintiffs take issue with Elysium’s argument that resolution of the ’086 IPR could affect the ’807 patent as well. As Elysium explained in its opening brief, the claim construction issue that caused the PTAB to deny institution of an IPR as to the ’807 patent—the construction of the claim term “isolated”—also is at issue in the ’086 IPR. Plaintiffs deride the possibility that the PTAB will adopt Elysium’s proposed construction of “isolated” as “wishful thinking” without even attempting to justify the PTAB’s initial construction of that term. In fact, Elysium’s proposed construction of “isolated” tracks the *express definition* of that term in the specification. Second Declaration of Peter Ellis in Support of Defendant Elysium Health, Inc.’s Motion to Stay, Ex. 8 (Petitioner Reply to Patent Owner’s Response) at 15-18. Instead of adopting the definition provided by the patentee in the specification (or the construction urged by Dartmouth in the IPR), the PTAB adopted an entirely new construction in its ’086 IPR Institution Decision. This new construction imported a numerical purity limitation from the specification that explicitly applies only to *polypeptides*, not to the composition that is the subject matter of the issued claims. The PTAB’s initial construction contradicted clear Federal Circuit precedent and is now under reconsideration in the ’086 IPR.

If the PTAB agrees with Elysium’s construction of the term “isolated” in the ’086 IPR, it is highly likely that the PTAB would institute a new IPR on the ’807 patent and invalidate that patent. Plaintiffs say that it is “unclear” how this could happen, but then immediately acknowledge how: “Elysium could file a new petition for IPR on the ’807 patent.” Plaintiffs’ Opp. at 7.

Plaintiffs also speculate that the PTAB will disagree with Elysium’s claim construction position. But they never deny that a contrary result adopting the specification’s express definition of “isolated” will have significant implications for the validity of the ’807 patent. Such a ruling could also lead to a prompt settlement of Count I asserting infringement of the ’807 patent. Under these circumstances, common sense dictates awaiting final resolution of the ’086 IPR before launching into costly and time-consuming litigation over the ’807 patent.

B. Resolution of the patent misuse counterclaim likewise will simplify the issues in this case.

Plaintiffs argue that Elysium’s patent misuse counterclaim, if successful, would “only be a limitation on ChromaDex’s past damages.” Plaintiffs’ Opp. at 8. This is wrong as a matter of law, as explained below. But even if it were true, resolution of the patent misuse counterclaim still would materially simplify the issues in this case. In particular, resolution in favor of Elysium would significantly reduce ChromaDex’s claim for money damages and narrow the issues for trial. And however the counterclaim is resolved in the California case, the result will be to avoid the need for this Court to devote any resources to considering Elysium’s patent misuse defense.

Plaintiffs wrongly argue that a ruling in Elysium’s favor in California “will only affect the time period during which ChromaDex may not recover damages—i.e., the time period up to when the alleged misuse was purged.” Plaintiffs’ Opp. at 9. To the contrary, resolution of the

California patent misuse counterclaim in Elysium’s favor would require immediate dismissal of ChromaDex’s complaint in this case. ChromaDex acknowledges that under the federal law of patent misuse, a patent holder is prevented from asserting infringement “until the underlying misuse has been purged.” Plaintiffs’ Opp. at 8. This is not just a limitation on the time period for recovery of damages, it is a limitation on enforcing the patent at all.

At trial in California, Elysium will show that the effects of the patent misuse continue today. By way of relief, it expressly requests declarations not only that ChromaDex has misused the ’086 and ’807 patents but that it *has not purged its misuse*. Elysium also asks the California court to declare that both the ’086 patent and the ’807 patent are *unenforceable*. See Ex. 3 at 37. If the California Court grants the declaratory relief sought by Elysium, ChromaDex will be bound by the court’s unenforceability determination and will be forced to dismiss all claims for patent infringement it has asserted in this Court.²

III. Plaintiffs’ claim that a stay would cause ChromaDex unfair prejudice is baseless.

As explained in Elysium’s opening brief, the “prejudice” prong of the stay analysis examines four sub-factors: (1) the timing of the parallel proceeding; (2) the timing of the request for stay; (3) the status of the parallel proceeding; and (4) the relationship of the parties. Opening Br. at 13. It is undisputed that the first three sub-factors weigh in favor of a stay because Elysium filed its IPR petition and patent misuse counterclaim long before the Complaint in this

² In a footnote, Plaintiffs contend that Dartmouth could continue to enforce the asserted patents even if ChromaDex could not. Plaintiffs provide no support for this assertion. ChromaDex alleges it is the exclusive licensee of the asserted patents, with standing to enforce them. D.I. 1 at ¶ 4. Consequently, Dartmouth cannot assert them on its own. *Aspex Eyewear, Inc. v. Miracle One, Inc.*, 434 F.3d 1336, 1344 (Fed. Cir. 2006) (“For the same policy reasons that a patentee must be joined in any lawsuit involving his or her patent, there must be joinder of any exclusive licensee.”). In any case, Plaintiffs offer no authority for their novel theory that patents rendered unenforceable by an exclusive licensee’s patent misuse still can be enforced by the patent owner.

case; Elysium promptly sought a stay; and the IPR proceedings and California litigation are at advanced stages. Plaintiffs do not attempt to argue otherwise, nor could they.

Instead, Plaintiffs argue that ChromaDex will suffer “severe[] prejudice” because it competes with Elysium. Plaintiffs’ Opp. at 11. ChromaDex makes no effort to support its claim of prejudice with evidence. Instead, it relies on the bare allegations of its unverified Complaint in California, supplemented by attorney argument that this Court should not credit. As Elysium explained in its opening brief, ChromaDex’s own conduct refutes any claim that a stay would cause undue prejudice. It is undisputed that ChromaDex has known the facts on which it bases its infringement claims against Elysium for over a year, that ChromaDex allowed Elysium to continue to engage in the allegedly infringing conduct without bringing suit, and that ChromaDex represented to the California court (when it served ChromaDex’s interests to do so) that it had no plans to sue Elysium for patent infringement. *See* Opening Br. at 14-15. That is not how a party truly facing irreparable losses from a competitor’s alleged infringement behaves. ChromaDex offers no explanation as to why it did not file suit sooner given the “severe prejudice” it now claims to be suffering, nor does it attempt to square its lengthy delay in bringing suit with its new, litigation-inspired position that its claims must be adjudicated immediately. The gamesmanship reflected in ChromaDex’s shifting positions is self-evident.

Even if ChromaDex’s conclusory assertions about the relationship of the parties were accepted, analysis of all four sub-factors of the “prejudice” prong supports a stay, even though the first three alone would suffice. *454 Life Scis. Corp. v. Ion Torrent Sys.*, C.A. No. 15-595-LPS, 2016 U.S. Dist. LEXIS 153978, at *14-15. (D. Del. November 7, 2016) (when the first three sub-factors weigh in favor of a stay and the fourth weighs against a stay, the prejudice factor favors a stay.).

Lastly, even if ChromaDex could support its unfair prejudice argument, it ignores the prejudice to Elysium in being forced to conduct a third proceeding regarding the '086 and '807 patents simultaneously. ChromaDex concedes that Elysium has “limited resources as a start-up.” Plaintiffs’ Opp. at 3. If Elysium succeeds in invalidating the '086 patent in the pending IPR, it means that Elysium should not have been required to devote any of its resources to defending Plaintiffs’ newly filed claim of infringement of that patent. If Elysium succeeds in establishing patent misuse by ChromaDex, it means that ChromaDex had no right to bring this lawsuit in the first place. Subjecting Elysium to the burden and expense of patent litigation that never should have been brought would be far more prejudicial to Elysium than the speculative and unsupported harm that Plaintiffs say will result from the requested stay.

IV. The early stage of the case weighs in favor of a stay.

A stay request made, as here, in the early stages of a litigation weighs in favor of a stay:

Granting a stay relatively early in a case can be said to advance judicial efficiency and maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims. On the other hand, when a request for review comes after discovery is complete or nearly complete, and a trial is imminent, a stay is less likely to be warranted.

454 Life Scis., 2016 U.S. Dist. LEXIS 153978, at *9-10 (D. Del. November 7, 2016) (internal quotations and citations omitted); *see also, e.g., Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, C.A. No. 12-cv-1107-GMS, 2014 U.S. Dist. LEXIS 47430, at *23 (D. Del. April 7, 2014) (“Staying a case in its early stages advances judicial efficiency . . .”). Plaintiffs’ argument that Elysium should be penalized for seeking a stay *early* in litigation should be rejected.

Plaintiffs’ assertion that “judges in this district often deny stays early in the case when a pending IPR is scheduled to be completed within the next few months” is not supported by the cited cases. Plaintiffs’ Opp. at 13. In three of them—*Universal Secure Registry, Toshiba*

Samsung, and *McCro*—stays were denied without prejudice where the parties were still awaiting the PTAB’s decision on whether to institute an IPR.³ The IPR proceedings themselves were at the earliest stages and might not even go forward; they were not “scheduled to be completed within the next few months” as Plaintiffs falsely represent in their opposition.

Nexans involved an unusual situation in which a party filed a declaratory judgment action in Delaware to secure its preferred forum, filed IPR petitions on the same day, and then sought to stay its own Delaware action pending resolution of the IPRs. *Nexans Inc. v. Belden Inc.*, C.A. No. 12-1491-SLF-SRF, 2014 U.S. Dist. LEXIS 20116, at *7-8 (D. Del. February 19, 2014). That is not this case. Insofar as Plaintiffs argue that *Nexans* should be read broadly as endorsing the view that the timing factor weighs against a stay when sought early in litigation, it should not be followed. Instead, consistent with *454 Life Scis.*, *Bonutti Skeletal Innovations*, and numerous other decisions in this District, this Court should find that the early stage of this litigation favors a stay.

V. The first-filed rule applies here.

Plaintiffs do not deny that the issues raised by Elysium’s earlier-filed patent misuse counterclaim in the California Litigation are identical to the issues raised by Elysium’s patent misuse defense in this case. Compare Ex. 3 (Third Amended Counterclaims in California Litigation) with D.I. 12 at 11 (Fourth Defense). Instead, relying on a Third Circuit decision, Plaintiffs erroneously argue that the first-filed rule is “inapplicable” because the claims in the

³ See *Universal Secure Registry, LLC v. Apple Inc.*, C.A. No. 17-585-CFC-SRF, 2018 U.S. Dist. LEXIS 159539, at *3-4, 13 (D. Del. Sep. 19, 2018) (denying without prejudice stay request made *before* PTAB decided whether to institute proceedings); *Toshiba Samsung Storage Tech. Korea Crop. v. LG Elecs., Inc.*, C.A. No. 15-691-LPS-CJB, 2015 U.S. Dist. LEXIS 162866, at *3-4, 10 (D. Del. Dec. 3, 2015 (same)); *McCro, Inc. v. Bethesda Softworks LLC*, C.A. No. 12-1509-LPS-CJB, 2014 U.S. Dist. LEXIS 60313, at *8 (D. Del. May 1, 2014). (same).

first-filed California Litigation and those in the later Delaware litigation are not “identical.” As an initial matter, Plaintiffs are mistaken in assuming that Third Circuit law governs this question. The Federal Circuit has explained that application of the first-filed rule in patent cases “presents a question sufficiently tied to patent law that the question is governed by this circuit’s law.” *Futurewei Techs., Inc. v. Acacia Research Corp.*, 737 F.3d 704, 708 (Fed. Cir. 2013).

Moreover, Plaintiffs’ “identity” argument has been squarely rejected by judges in this District in decisions that are not even acknowledged, let alone distinguished, in Plaintiffs’ brief. In *Fuisz Pharma*, for example, the court considered whether the rule should apply when a first-filed action in California raised issues regarding the inventorship, validity, and enforceability of a patent as well as state law claims, and the second-filed action in Delaware alleged infringement of the patent. *Fuisz Pharma LLC v. Theranos, Inc.*, C.A. No. 11-1061-SLR-CJB, 2012 U.S. Dist. LEXIS 69835, at *2-7, (D. Del May 18, 2012), *adopted by Fuisz Pharma LLC v. Theranos, Inc.*, C.A. No. 11-1061-SLR/CJB, 2012 U.S. Dist. LEXIS 79156 (D. Del. June 7, 2012). The party that filed the Delaware action, Fuisz Pharma, argued that the first-filed rule should not apply because its patent infringement claim was only before the Delaware court. *Id.* at 18. Like Plaintiffs here, Fuisz Pharma contended that “the first-filed rule should only be invoked in so-called ‘mirror image’ cases.” *Id.*

The court disagreed. It explained that “[t]he Federal Circuit has cautioned against a rigid mechanical approach to questions of forum.” *Id.* at 19 (internal quotations and citations omitted). It also noted that Delaware courts (and at least one court outside of Delaware) have applied the first-filed rule outside of the “mirror image” context. *Id.* at 21-22 & n.9. Accordingly, the court applied the first-filed rule even though the two suits were not identical. *Id.* at 25; *see also, e.g., Mitek Sys. v. United Servs. Auto Ass’n*, C.A. No. 12-462-GMS, 2012 U.S.

Dist. LEXIS 123716, at *4 (“It is not necessary that the two cases involve the exact same claims or that they are so-called ‘mirror-image’ cases [for the first-filed rule to apply]”).⁴

The first-filed rule should apply in this case as well. Elysium’s first-filed patent misuse counterclaim in California raises exactly the same issues as its patent misuse defense in this case. Resolution of the patent misuse counterclaim in California will, at the very least, obviate this Court’s need to address Elysium’s patent misuse defense, including any disputes over the pleadings, discovery, jury instructions, and other issues concerning that defense. Moreover, as discussed above, if the patent misuse defense is resolved in Elysium’s favor, ChromaDex will not be able to maintain *any* of the claims it asserts here. Staying this case pending resolution of Elysium’s patent misuse counterclaim in California thus would conserve judicial resources and reduce the parties’ costs of litigation. In fairness, and consistent with the equitable nature of the patent misuse defense, Elysium should not be forced to litigate in a third forum over patents it has alleged are unenforceable and should never have been asserted here, where the issue of their enforceability is headed for trial in July.

⁴ *In re Mobile Telecomms. Tech., LLC*, 23 F. Supp. 3d 478 (D. Del. 2017), on which Plaintiffs rely, is easily distinguishable. In that case, the Court refused to stay a case filed by a company that was not a party to the earlier-filed case, unlike ChromaDex here.

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